

# 2018-2020 Strategic Plan

March, 2018



# Disclaimer



This presentation **contains statements that constitute forward looking statements** regarding the intent, belief or current expectations of the customer base, estimates regarding future financial results and other aspects of the activities.



Such **forward looking statements are not guarantees of future performance** and involve risks and uncertainties, and actual **results may differ materially from those projected** as a result of various factors.



**Analysts and investors are cautioned not to place undue reliance on those forward looking statements**, which speak only as of the date of this presentation. TIM Brasil undertakes no obligation to release publicly the results of any revisions to these forward looking statements.

# Executive Summary:

## More Postpaid and Broadband to support Revenue Growth and Expand Cash Generation

### Strategic actions

#### Best in class customer engagement

- Continued expansion of the best fixed and mobile infrastructure (4G, FTTX) to differentiate experience
- Improve Customer engagement through increased penetration of Digital interactions

#### Sustain leadership position

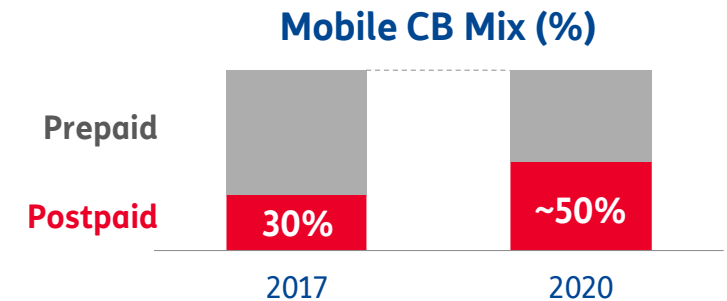
- Acceleration of **Mobile growth** targeting **more affluent segments** (e.g., controle, post-paid)
- Growth of **Residential BB contribution to top-line**
- **Step-change growth in SMB segment** leveraging new Organization, go-to-market and value proposition
- Development of **new and innovative revenue streams** (e.g., IoT, mobile adv, etc.)

#### Cash-flow generation

- **Improvement of Cash Generation ability** through “smart” Capex and Debt/Tax optimization
- Capture of **digitalization efficiency** potential
- “Zero-based” approach on traditional efficiency levers

### Impact by 2020

- >4K Cities covered by 4G (96% of Urban Population)
- >2X growth of e-bill and e-pay penetration
- ~5X growth in My-TIM App users



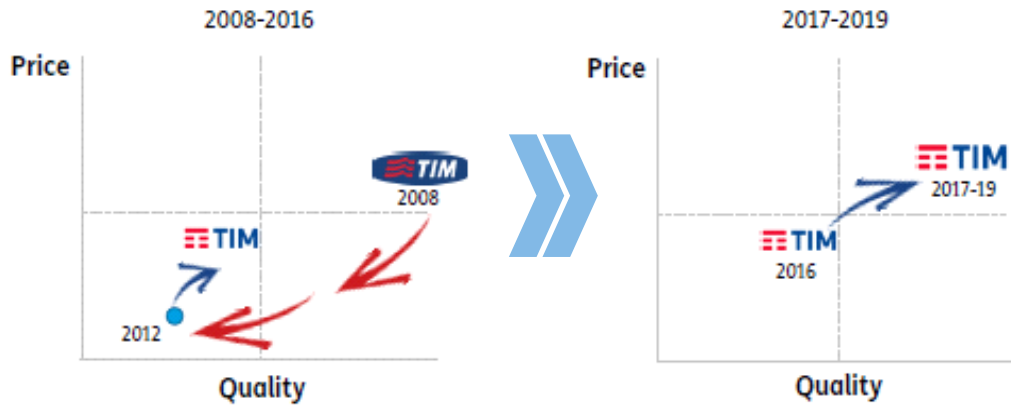
4X growth of residential BB CB ( FTTX + WTTx)

≥40% EBITDA margin in 2020

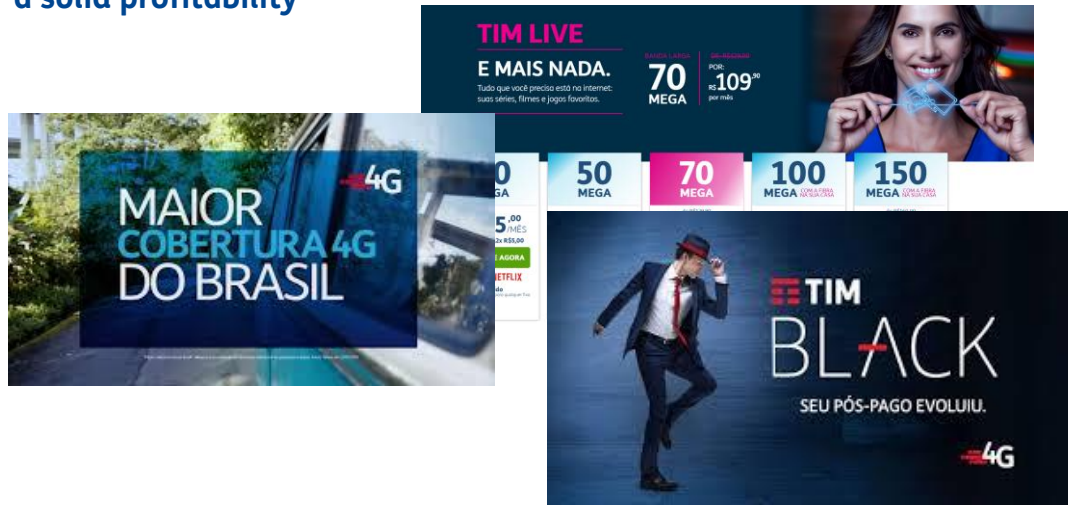
≥20% EBITDA-CAPEX on revenues in 2020

# Turnaround Plan: from Recovery to Consistent and Sustainable Growth

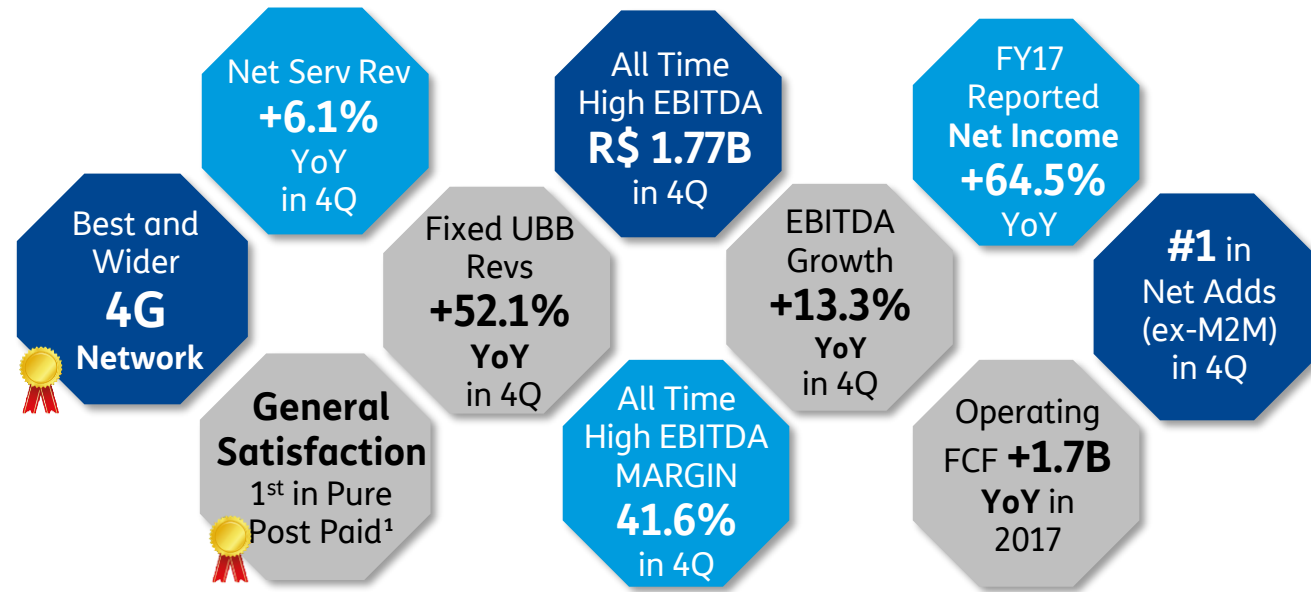
## 2017-19 Turnaround Strategy



Relaunch of TIM Brasil with a **deep turnaround** to evolve from a “cheap” brand to a **convergent Total Quality operator**, capable to successfully compete in the **Post-Paid segment** and to quickly **recover a solid profitability**



## 2017 Turnaround Execution



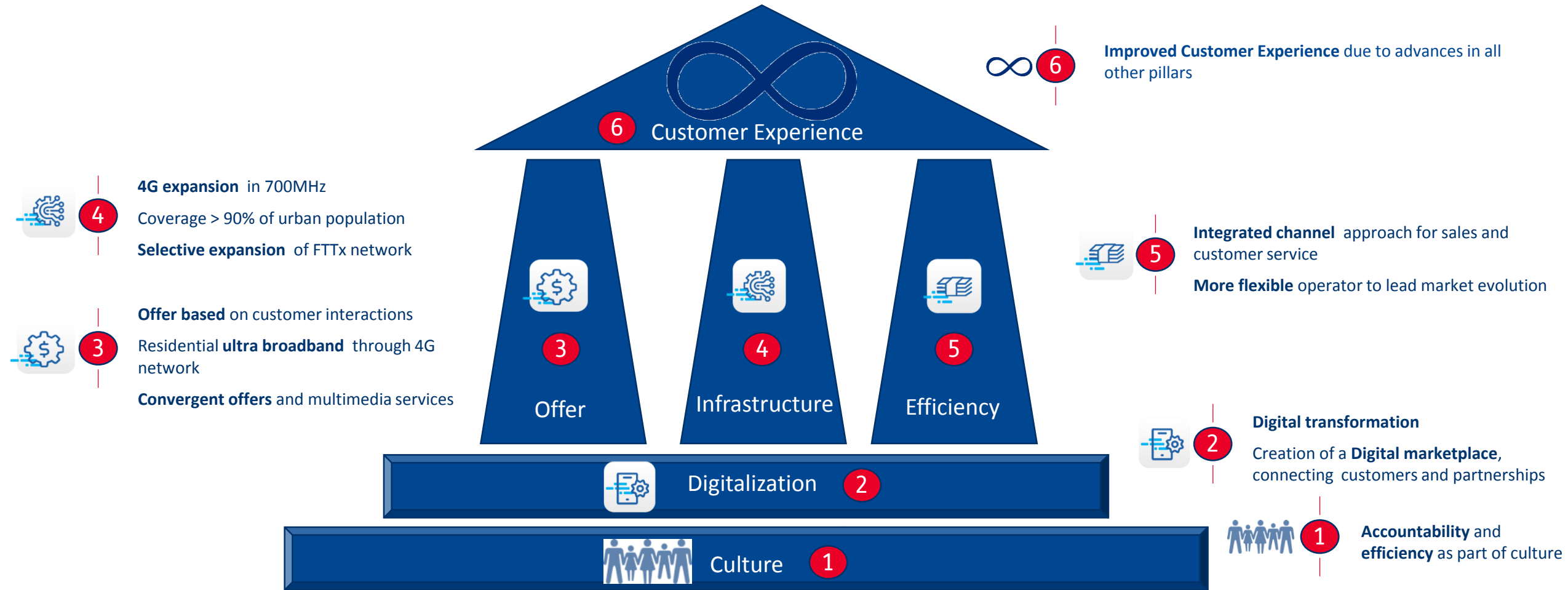
## 2018-2020 Turnaround Evolution

Confirm our leadership in **Ultra-Broadband Networks** and **Digitalize** our **Customers' Experience** to become the **Best TLC Provider in Brazil** and consistently continue to improve our Financial Results in terms of **Profitability** and **Cash Generation**



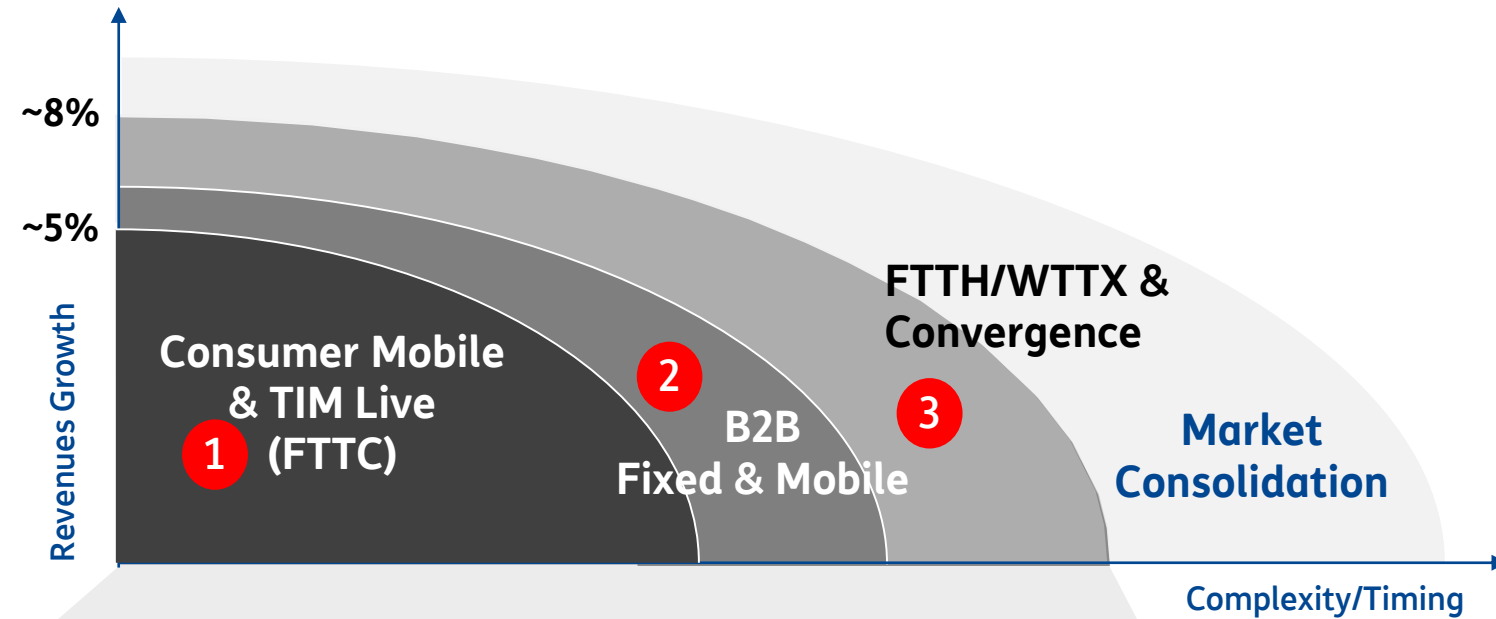
(1) National Quantitative Satisfaction Survey ran from Sep to Dec 2017 by Bridge Research consultancy.

# TIM Brasil: Pillars of Turnaround



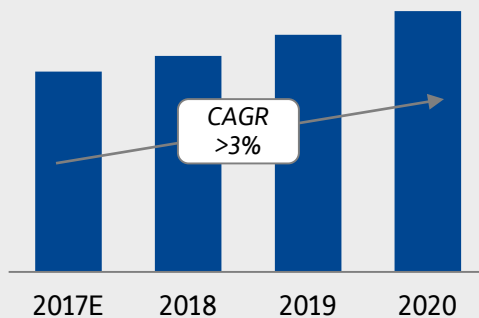
Redesign the Customer Experience of our customers to become the best value for money player leveraging our leadership position as an Ultra-Broadband player and our disruptive Offer proposition. Shift internal Culture from “excusability” to Accountability, redesign Platforms and Processes from analogue to Digital to allow a full Digital Transformation.

# TIM Brasil: Growth Waves



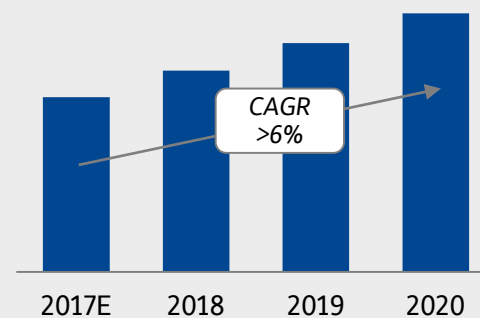
## Mobile Market Revenues

(R\$ mln)









## BB Market Revenues

(R\$ mln)

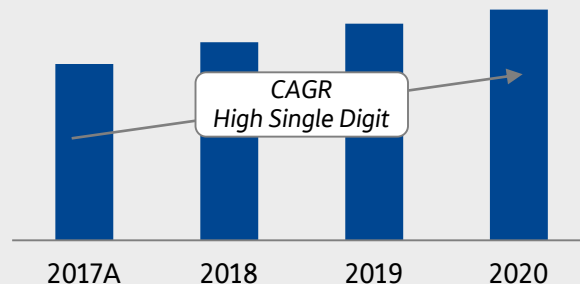


- 1 Consumer Mobile (“the *Controle* wave”)**
  - Growth mostly based on a «Pure Mobile» approach with Residential BB opportunity geographically limited.
  - TIM exploits the benefits of its 4G acceleration.
  
- 2 Business Segment (SMB and Top)**
  - Opportunity to gain Market Share and support a Top Line rebound leveraging on:
    - Brand repositioning and New Portfolio;
    - More Convergent approach;
    - CEX centric philosophy.
  
- 3 FTTH/WTTX & Convergence**
  - Accelerated Fiber deployment (backbone, backhaul and FTTH).
  - Additional revenues growth and Convergent CB expansion thanks to FTTH Service.

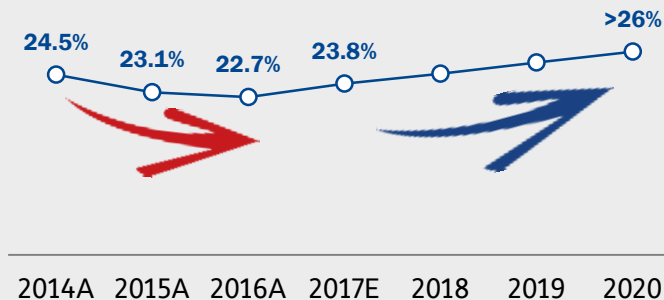
# Mobile Growth Levers

	 <b>BEST OFFER</b>	 <b>PORTFOLIO</b>	 <b>LOYALTY (CHURN MANAGEMENT)</b>	 <b>CB MANAGEMENT</b>	 <b>GO-TO-MARKET &amp; POSITIONING</b>	 <b>CEX &amp; DIGITAL</b>
<b>PREPAID</b>	<ul style="list-style-type: none"> <li>Simple and segmented offers</li> </ul>	<ul style="list-style-type: none"> <li>Better acquisition quality</li> <li>Big Data Analytics to improve churn prediction</li> </ul>	<ul style="list-style-type: none"> <li>1-2-1 management with RTD (UP-SELL and RETENTION)</li> </ul>	<ul style="list-style-type: none"> <li>Naked SIM to improve acquisition quality and go-to-market flexibility</li> </ul>	<ul style="list-style-type: none"> <li>Recurring offer and Naked SIM simplify and improve the customer experience</li> <li>Continued evolution of digital channels</li> </ul>	
<b>CONTROLE</b>	<ul style="list-style-type: none"> <li>Best offer using “more for more”</li> <li>Innovation: OTT partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Targeted handsets and services lock-in offers</li> </ul>	<ul style="list-style-type: none"> <li>1-2-1 management (UP-SELL and RETENTION) with segmented and dedicated offers (Mass Market)</li> </ul>	<ul style="list-style-type: none"> <li>Best value for money, convenience and control</li> </ul>	<ul style="list-style-type: none"> <li>Focus on convenience and digital payment</li> <li>Push Meu TIM App w/ new features (self-caring, up-sell)</li> </ul>	
<b>PURE POSTPAID</b>	<ul style="list-style-type: none"> <li>Innovation: dedicated data package and OTT partnerships for 3P offers</li> <li>Convergence in FTTX/WTTX</li> </ul>	<ul style="list-style-type: none"> <li>Services lock-in offers</li> <li>Handsets with lock-in as key element of proposition for the high end segment</li> </ul>	<ul style="list-style-type: none"> <li>1-2-1 management (UP-SELL and RETENTION) with segmented and dedicated offers (Mass Market)</li> </ul>	<ul style="list-style-type: none"> <li>Enhance TIM Black positioning to accelerate the recovery of high end customer perception</li> </ul>	<ul style="list-style-type: none"> <li>Focus on convenience and digital payment</li> <li>Push Meu TIM App w/ new features (self-caring, up-sell)</li> </ul>	

**Total ARPU Trajectory (R\$)**

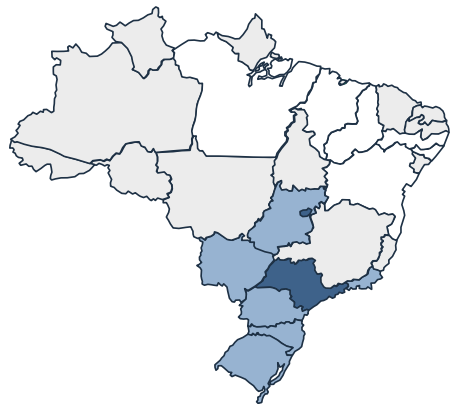


**Mobile Service Revenues Share<sup>1</sup> (%)**



# Opportunity for Residential Broadband solutions to be captured

## Residential Broadband Penetration

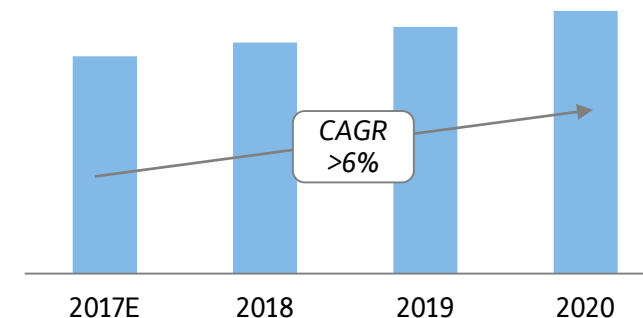


- Broadband Penetration 42%
- Ultra-BB Penetration 6%
- 96% of cities (~50% population) has very low BB penetration (~20%)
- 23% of BB connections have speeds < 2Mbps

**Relevant opportunity to capture a strong unserved demand for Residential Broadband and Ultra-BB connectivity**

## Fixed Broadband Market Customers

(mln users)



1

### FTTH

- Best overall performance (capacity, speed and stability)
- Focus on high value customers and high customer experience standards
- Smart strategy coverage launching in new cities
- Leverage in fiber infra already built for mobile
- Partnership with content providers

2

### FTTC

- Increase of capacity on already saturated areas
- Refocus with dedicated offer to high income areas with historical low sales performance
- Higher speeds (UDSL2+) and ARPU over the existing coverage
- Partnership with content providers

3

### WTTX

- Simple and smart solution (plug n play, value for money)
- Focus on customers with limited broadband services (suburbs and smaller cities) offers
- Fast time-to-market to attack new regions (incremental revenues)
- Optimize investments: use of 4G network (700Mhz) spare capacity

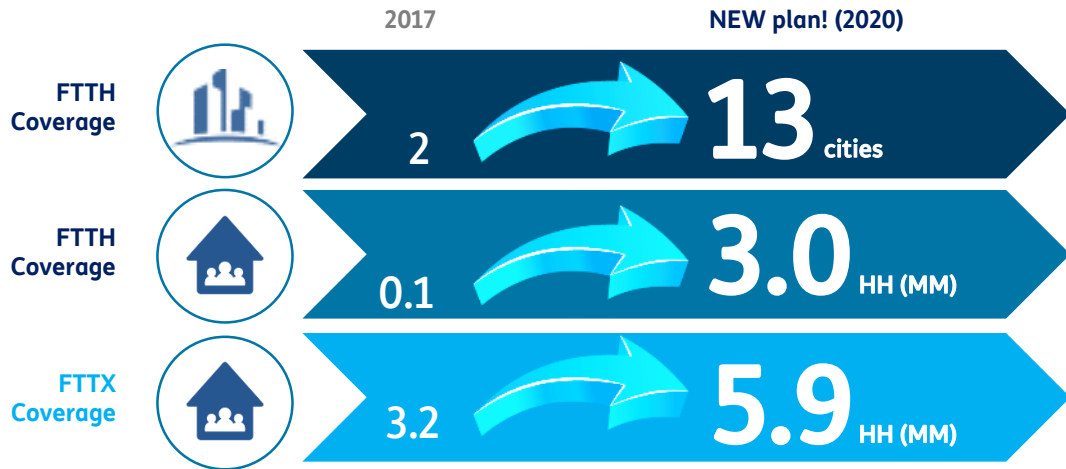


# Network: Expansion in Mobile Access and Fiber



## FIXED UBB BOOST

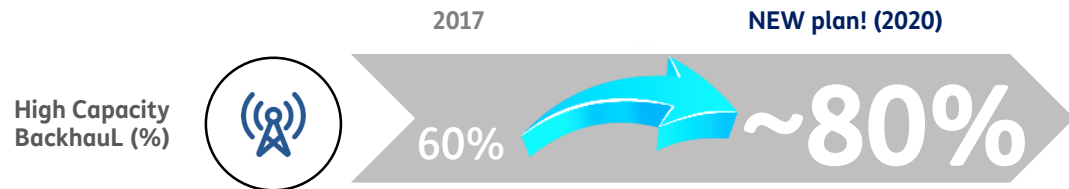
Focus on FTTH and FTTC



## TRANSPORT INFRASTRUCTURE

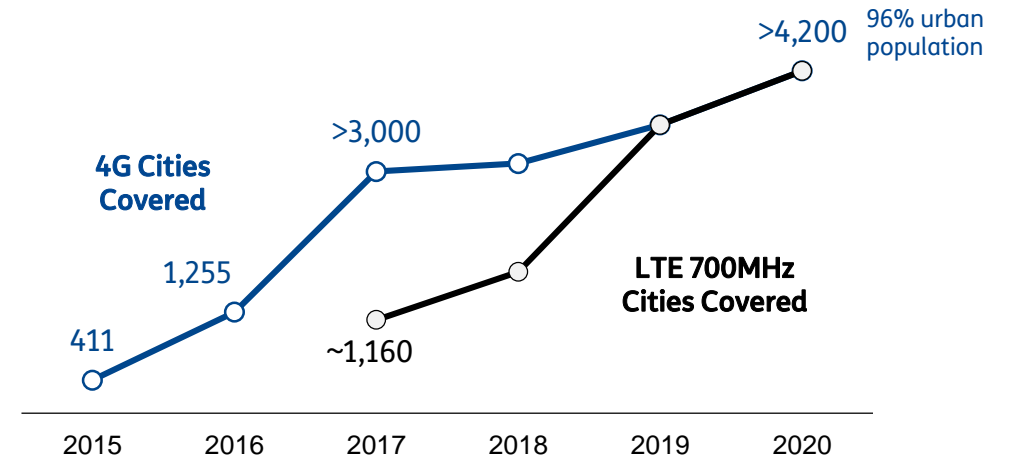
Capillarity to support Mobile and Residential Services

### FTTSITE



## 4G EVOLUTION

Capacity Expansion and Coverage Evolution



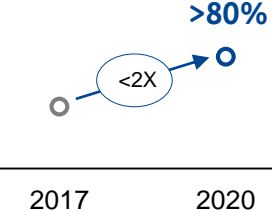
### FTTCITY



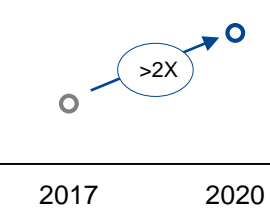
# Digitalization will sustain our CEx improvement while supporting Efficiencies

## Customer Management: Simplification of Customer Journey

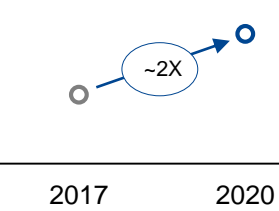
**Digital Interactions (Total)**



**E-Billing (#users)**

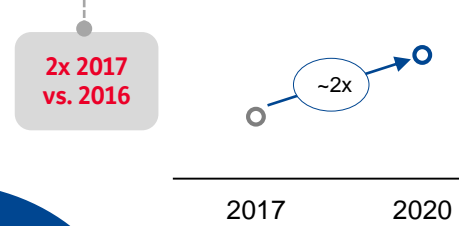


**E-Payment (#users)**

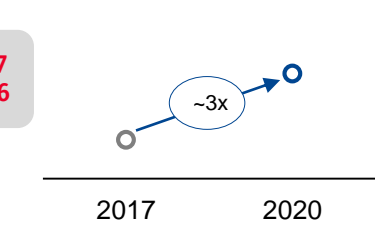


## Customer Acquisition: Channel Mix Improvement

**Sales in Digital Channels (Control+Pure Postpaid)**



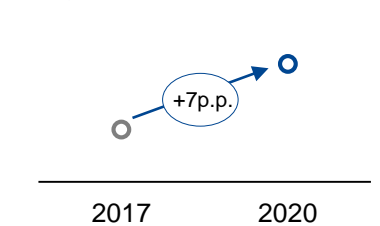
**Sales in Digital Channels (Live)**



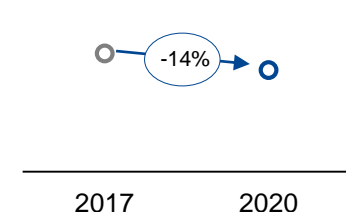
**R\$0.5 bln  
in savings  
in 2020**

## Prepaid Recharges: Experience and Profitability

**Digital Prepaid Recharge Mix (% Digital sobre Total)**



**Recharge Commission (ex. volume effect) (R\$ mln)**



## Support Processes & Systems: Upgraded and Strengthened IT Architecture

### Process Enhancement

**Asset Management:**  
RFID tagging process for assets: safe and reliable tracing

**Inventory Clean up:**  
Reduction in WBS (>85%) and invoices (>25%) by 2H18 with A.I and Bots

**Legal Process Optimiz.:**  
System automation and integration of legal processes with A.I and Bots

**Vendor Portal:**  
11k invoices/month already automatized

### Efficiency Oriented

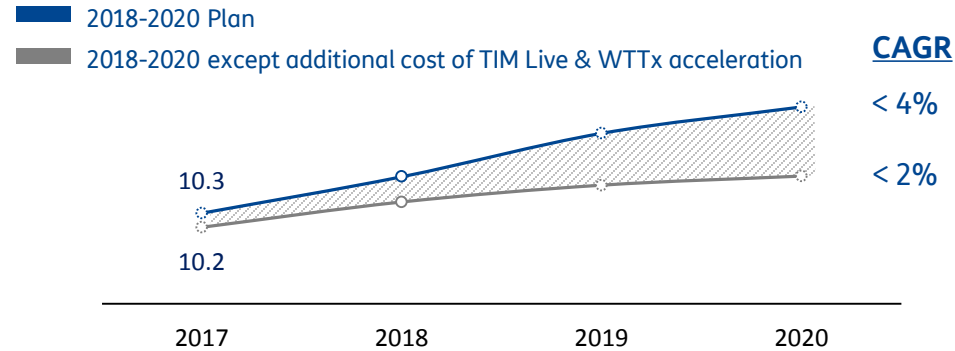
**Compliance Tax:**  
Increase in fiscal credits utilization (R\$ 100 mln/year)

**Sales & VAS Commiss.:**  
Automation of the charge creation process and VAS revenue share calculation

# Opex Evolution: over-executing the Efficiency Plan thanks to Digitalization initiatives

## Opex Evolution

R\$ Bln

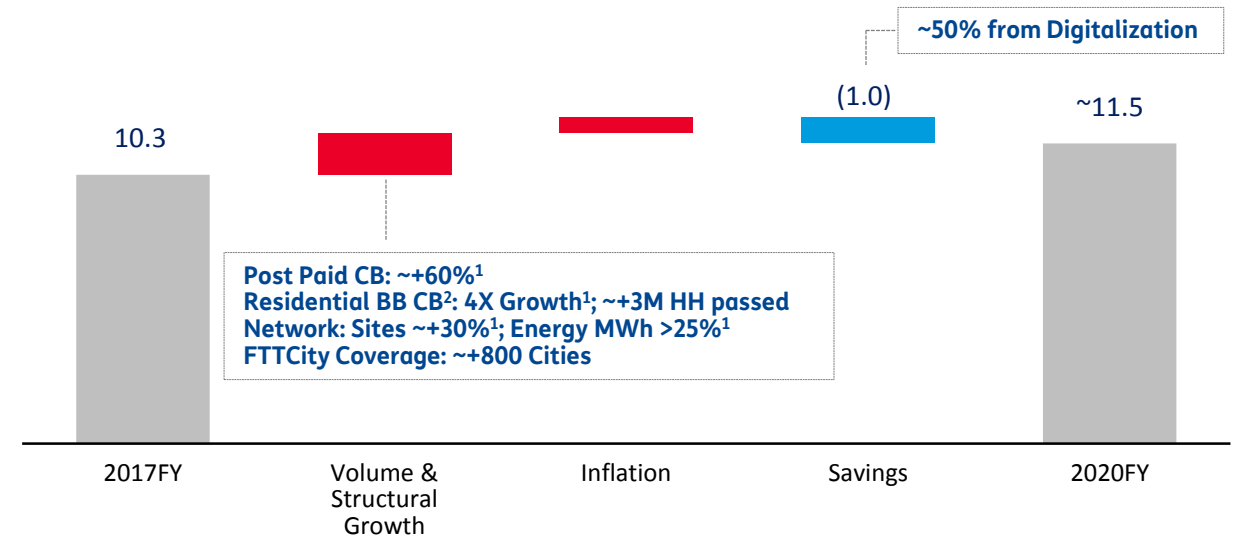
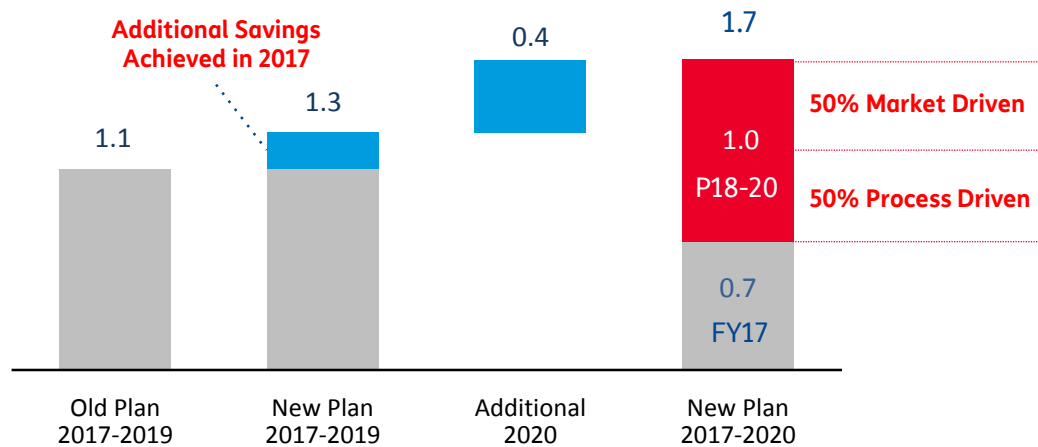


## Efficiency Plan Highlights

- Expected OPEX growth below inflation.
- Excluding additional acceleration in WTTx and Live business, Opex should grow below 2%.
- Network and postpaid customers structural growth continues to impact costs considering the expected acceleration in commercial activity.

## Efficiency Plan Evolution

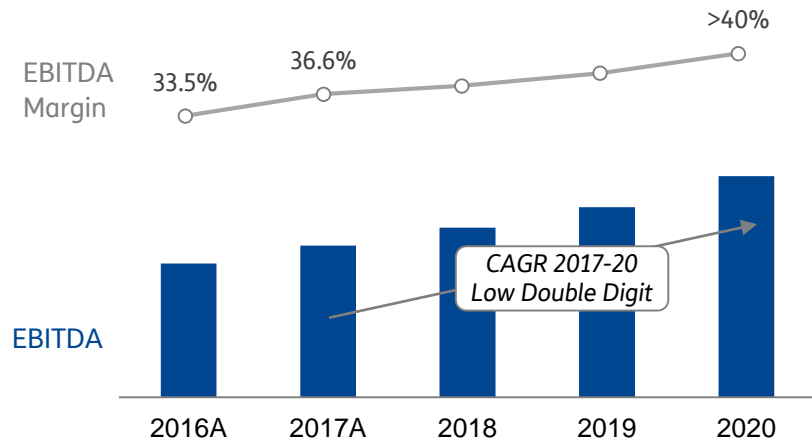
R\$ Bln



# Increasing Profitability and Cash Generation

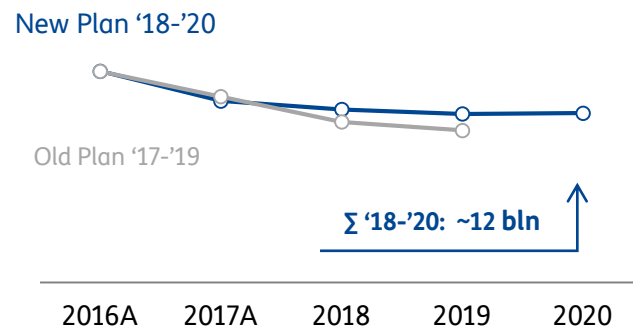
## EBITDA and Margin Expansion

R\$ Bln; %



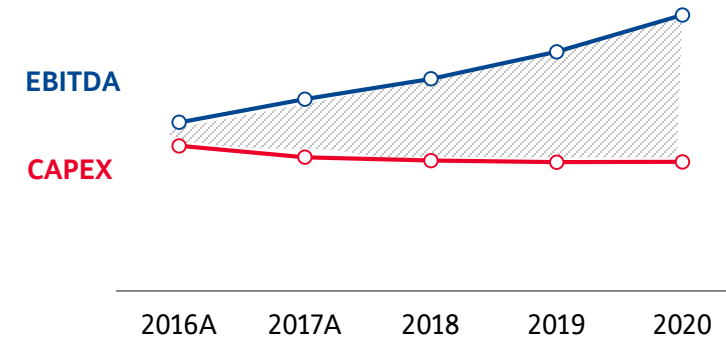
## CAPEX

R\$ Bln



## EBITDA - Capex

R\$ Bln

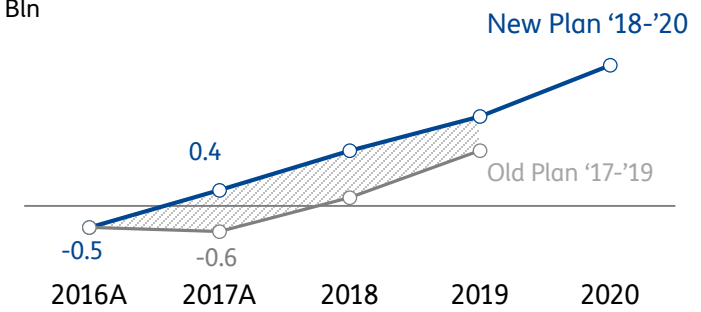


% on Tot. Revenues




3.9% 11.1% ≥13% >20%

## Net Cash Flow Bef. Dividends

R\$ Bln



# TIM Brasil 2018-'20 Targets

GOALS	DRIVERS	SHORT TERM TARGETS / KPIs	LONG TERM TARGETS / KPIs
 <p><b>Sustain Top Line Growth</b></p>	<ul style="list-style-type: none"> <li>• Further improve Mobile Service Revenue Share</li> <li>• Expand Residential BB Revenues contribution</li> </ul>	<p>Service Revenues Growth:</p> <p><b>5-7% in 2018</b></p>	<p>Service Revenues Growth:</p> <p><b>Mid to High Single Digit CAGR '17-'20</b></p>
 <p><b>Improve Profitability</b></p>	<ul style="list-style-type: none"> <li>• “Zero-based” approach on traditional efficiency levers</li> <li>• Capture digitalization efficiency potential</li> </ul>	<p>EBITDA:</p> <p><b>Double Digit growth in 2018</b></p>	<p>EBITDA Margin:</p> <p><b>≥40% in 2020</b></p>
 <p><b>Expand Cash Generation</b></p>	<ul style="list-style-type: none"> <li>• Smart Capex “More with less” approach</li> <li>• Optimize Tax Rate</li> <li>• Optimize Debt and Shareholders’ Remuneration</li> </ul>	<p>Ebitda-Capex on Revenues:</p> <p><b>≥13% in 2018</b></p>	<p>Ebitda-Capex on Revenues:</p> <p><b>≥20% in 2020</b></p> <p>Capex:</p> <p><b>~12B R\$ in '18-'20 (~20% on Rev. in 2020)</b></p>